

TCBI Q4 2015 Earnings

January 20, 2016



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Opening Remarks & Financial Highlights

Strong Balanced Growth

- Solid Q4-2015 growth in traditional LHI balances in continuing highly competitive C&I market
- Expected lower average balances in mortgage finance loans (“MFLs”) with significant quarter-end surge in balances as a result of backlog from new consumer regulations
- Growth in average DDAs and total deposits
- Benefit from Fed rate increase due to high asset sensitivity with extended duration of low-cost funding

Core Earnings Power

- Growth in traditional LHI continues to produce solid net revenue
- Operating leverage remains good with growth, even with continued build-out
- Business model focused on organic growth continues to demonstrate ability to produce high returns on invested capital
- Mortgage Correspondent Aggregation will be a capital efficient contributor to earnings in 2016 and beyond

Credit Quality

- Credit metrics remain acceptable despite increase in energy NPAs
- NCOs at 7 bps in Q4-2015 and 10 bps for 2015, none related to energy
- High allowance coverage ratios
- Provision driven by application of methodology; energy loss exposure fully reserved

Operating Results

<i>Net Income</i>	<i>EPS</i>	<i>ROE</i>	<i>Total LHI</i>	<i>Total Deposits</i>
\$34.8 million	\$0.70	8.82%	\$16.7 billion	\$15.1 billion

Energy Update

- Outstanding energy loans represented 7% of total loans, or \$1.2 billion at December 31, 2015
- TCBI's energy loans primarily consist of engineered reserve-based loans to upstream E&P operators, which represented 5% of total loans at December 31, 2015
 - E&P - 5% with 61% oil and 39% gas; balances and commitments down from Q3-2015
 - Allocated reserve of \$32.0 million represents over 3% of loans subject to direct commodity price exposure
 - Service - 1% with exposure primarily related to production not exploration and development with slight increase in this category from existing commitments; \$3.3 million in NPAs
 - Other 1% - cash secured, guaranteed, or secured with additional assets with slight increase in this category from existing commitments; no NPAs
- 59% of energy is non-SNC, 41% is SNC with 15% of SNCs agented by us
 - Senior secured position; borrowers have limited use of subordinated debt
- Hedging is generally required for all energy borrowers and hedge contracts are pledged to us as collateral; counterparties include investment-grade multi-national companies and money center/large regional banks
 - 73% of TCBI's oil-weighted borrowers have accretive hedges (defined as \$50/barrel or better floors) in place for 2016
 - Over 50% of TCBI's oil-weighted borrowers have accretive hedges in place covering at least 50% of engineered production volumes for 2016
- Borrowing bases are defined by a conservative advance percentage (generally 50 – 65%) of the NPV of expected future cash flows using future prices as one of numerous inputs
 - Additional non-producing collateral is given only minimal weighting in borrowing base determinations
 - For Q4-2015 price deck, we assume Base Case oil and gas pricing of \$42.50/bl oil and \$2.30/mcf gas. We also sensitize the portfolio at \$37.50/bl oil and \$2.00/mcf gas
 - Over time our pricing tracks the forward strip

Energy Update continued

- Energy non-accruals
 - 12/31/2015 - \$120.4 million
 - 9/30/2015 - \$36.9 million
- Risk grade migration occurring in Q4-2015; will likely continue to occur and have an impact on provisions that reflects the duration and depth of the cycle
 - Beginning in Q4-2014 and through 2015 we have significantly increased reserves related to energy; total energy reserves at Q4-2015 are approximately \$32.0 million, or 3% of energy exposure
 - Grade migration within the energy portfolio has significantly contributed to higher provisions in 2015, and will continue in 2016; losses expected to be manageable at this point
 - Classified \$130.4 million and criticized \$199.2 million
 - Continue to manage balances relative to borrowing bases on individual loans as needed with cash applied to debt, additional collateral, sale of production or new equity required from investors
 - Lenders, credit officers and engineers, on average, have more than 30 years of industry experience
 - Portfolio has been built over years based on relationships with borrowers who have deep experience in the industry and have been through prior energy down cycles

Houston Market Risk Real Estate

<i>(in thousands except % data)</i>	Q4 2015	% of Total Houston Market Risk CRE	Q3 2015	% of Total Houston Market Risk CRE
Apartment buildings	\$214,863	32%	\$144,235	23%
Commercial buildings	90,766	14%	130,891	22%
Shopping center/mall buildings	102,179	15%	96,490	16%
Hotel/motel buildings	83,636	13%	77,418	13%
Manufacturing	105,752	16%	88,753	15%
Other	69,835	10%	64,325	11%
Total Houston Market Risk CRE (excluding builder finance loans)	\$667,031		\$602,112	
Percentage of total LHI	4%		4%	

- The above table summarizes our Houston market risk real estate portfolio, excluding loans related to our builder finance line of business
- Of the December 31, 2015 total, \$9.2 million were “special mention” and \$281,000 were “substandard”; no NPAs

Expansion of Mortgage Finance Services

- Launched Mortgage Correspondent Aggregation (“MCA”) business in our Mortgage Finance (“MF”) group in late Q3-2015
 - Balance of loans held for sale (“LHS”) was \$86.1 million at quarter-end, with average balance of \$24.7 million and yield over 3.8%
 - On-boarding of clients is increasing as expected which will result in ramp up of volumes
 - Pace of loan purchases affected by TRID – rejects by system to limit put-back exposure were high
- Market conditions continue to be challenging and are limiting gain on sale opportunities
 - Persistent low rates and expectation of future higher rates have driven up value of MSR
 - Non-bank aggregators are taking advantage of adverse MSR capital treatment for banks
 - Aggressive MSR acquisition placing extreme pressure on normal fee structures
- As previously noted Q4-2015 was first quarter of fully loaded MCA expenses
 - Q4-2015 and YTD net expenses of \$2.7 million and \$7.4 million representing impact for 2015 of \$0.10 per share and 1.2% on annual Efficiency Ratio
 - Small loss incurred on loans sold due to pricing competition and limited channels in Q4
 - Operating improvements in core business have overcome MCA loss YTD
- Outlook for MCA
 - Opportunity for meaningful improvement in overall MF contribution with exceptional risk-adjusted returns
 - Net loss expected for first half of 2016, with profitability expected in late Q2-2016 and full year
 - Improved risk weight of total MFL portfolio as program matures
 - Highly profitable when we achieve higher volume run rate
 - Increased yield included in net interest income and non-interest income from sales of loans and MSR
 - Will continue to manage to 25 – 33% concentration including total MFLs

Net Interest Income & Margin

Quarterly Change

NII (\$MM)		NIM (%)
\$142.0	Q3 2015	3.12%
.1	Increase in liquidity	(.10)
(1.2)	Decrease in LHI loan yields	(.02)
(.3)	Decrease in MF loan yields	(.01)
1.2	Mix shift from MF to LHI	.03
.4	Other	(.01)
\$142.2	Q4 2015	3.01%

Annual Change

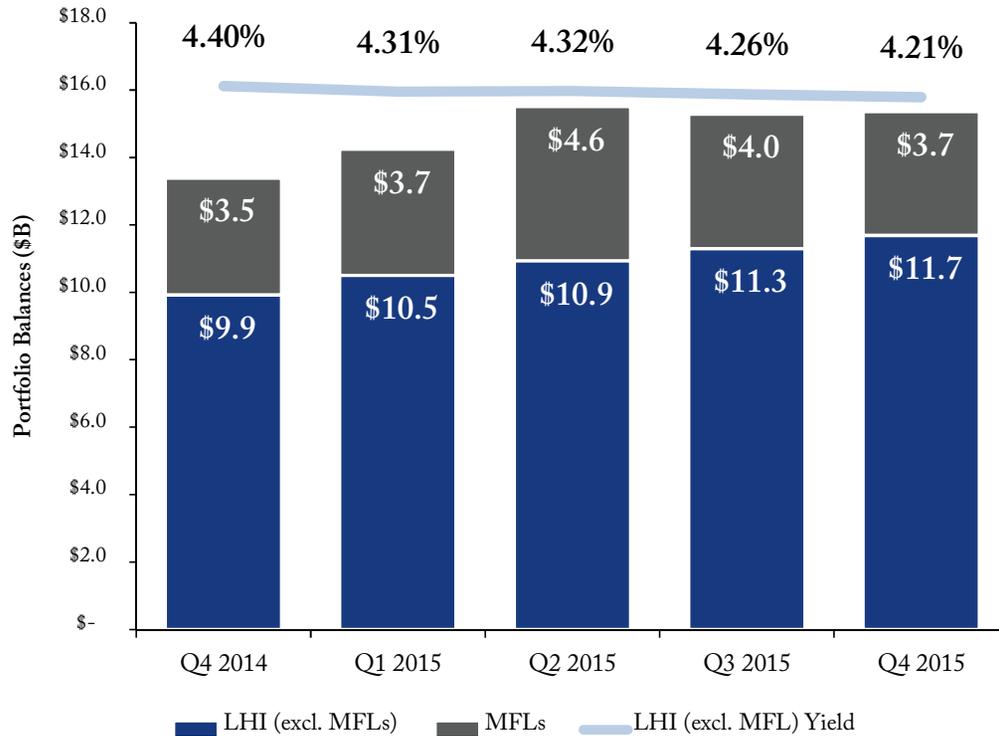
NII (\$MM)		NIM (%)
\$477.0	YTD 2015	3.78%
1.7	Increase in liquidity	(.45)
(25.6)	Decrease in LHI loan yields	(.14)
(7.6)	Decrease in MF loan yields	(.04)
(3.7)	Mix shift from LHI to MF	(.02)
-	Increase in contribution from free funds	.04
114.6	Increase in LHI and MF balances	-
.1	Other	(.03)
\$556.5	YTD 2015	3.14%

NIM Highlights

- Net interest income flat from Q3-2015 and growth of 11% from Q4-2014
- MFL balances continue to benefit NII with small negative to NIM
- Traditional LHI spreads continue to show only modest erosion with competitive pressure
- Total Liquidity Assets increased to 18% of earning assets with yield of 27 bps; significantly reduces NIM, but no adverse impact on NII

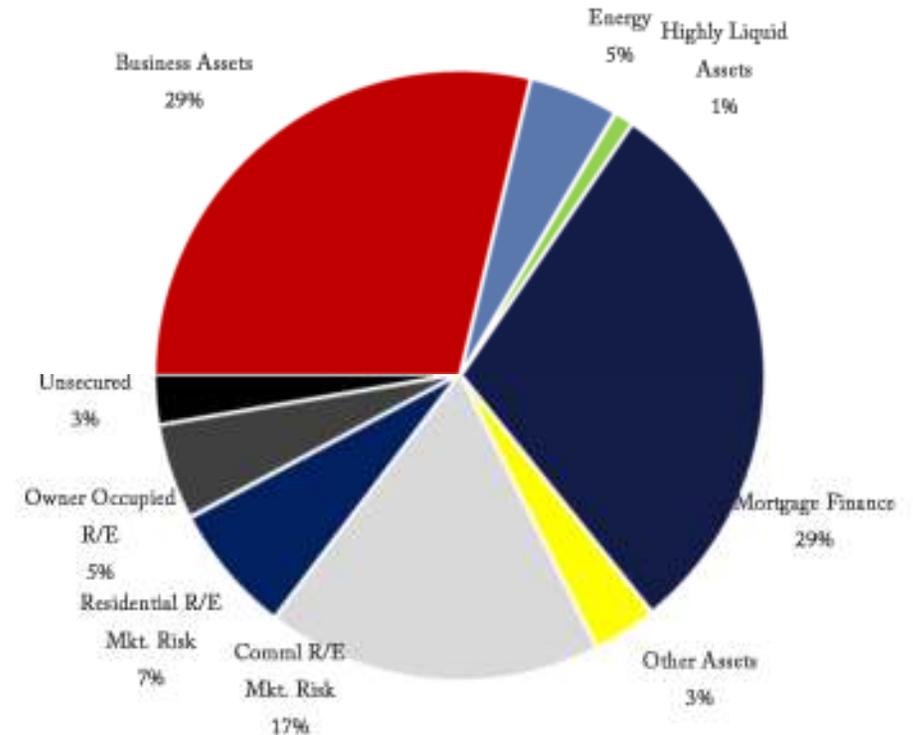
Loan Growth

Average Balance Trends (\$B)



Total Loan Composition

(\$16.7 Billion at 12/31/15)

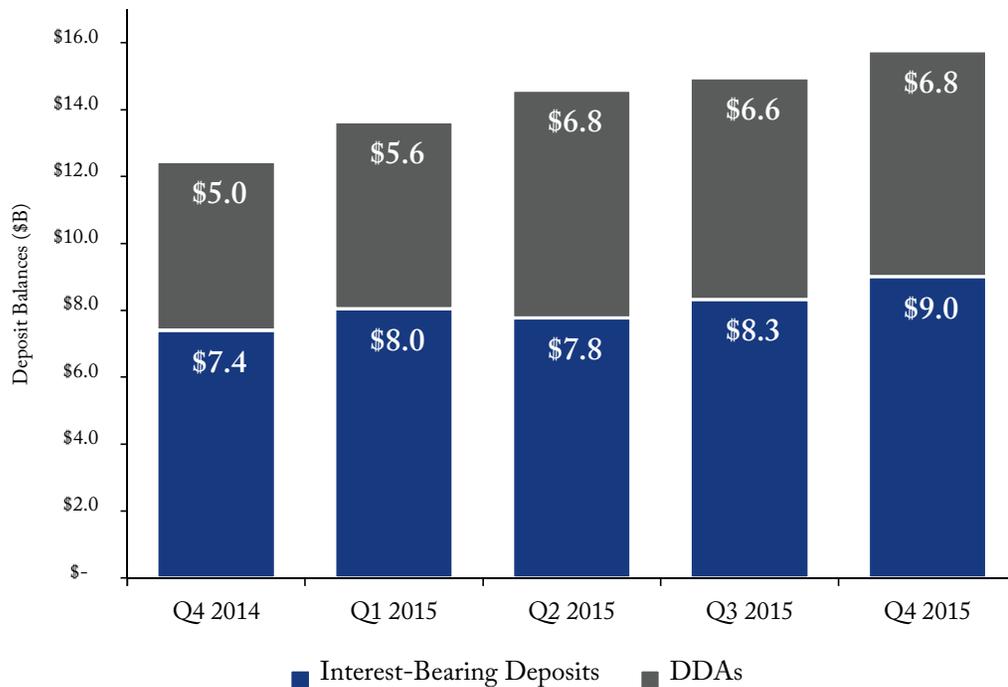


Growth Highlights

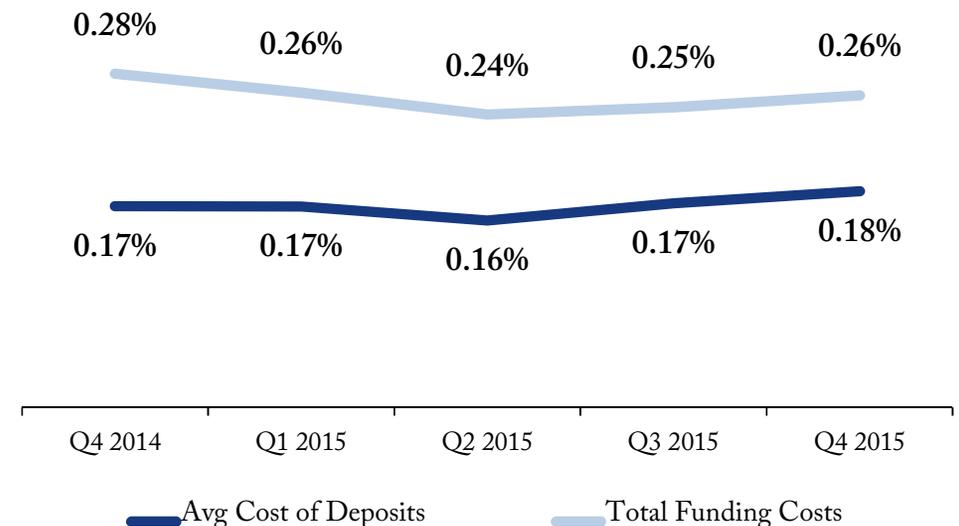
- Broad-based growth in average traditional LHI – Growth of \$391.2 million (3%) from Q3-2015 and \$1.8 billion (18%) from Q4-2014
- Period-end balance \$52.2 million higher than Q4-2015 average balance and 16% above Q4-2014 period-end balance
- MF performance has exceeded industry trends with increase in YTD 2015 averages of 35% compared to YTD 2014
- Consistent with trends, average MFLs represent 24% of total LHI at Q4-2015 compared to 30% at period end

Deposit Growth

Average Balance Trends (\$B)



Funding Costs



Growth Highlights

- Core funding costs – deposits and borrowed funds – 18 bps for Q4-2015 compared to 17 bps at Q3-2015 and Q4-2014
- Deposit growth consistent with strategic opportunity to build deposit base
 - Minor benefit to NII
 - Impact on NIM consistent with objectives, and will fluctuate from quarter to quarter based on levels of liquidity assets and loan mix
 - Significant increase in asset sensitivity and duration of low-cost funding since Q4-2014

Non-interest Expense

Quarterly Change

Non-interest expense (\$MM)	Increase/ (Decrease)
Q3 2015	\$81.7
Salaries and employee benefits – related to stock price changes	0.4
Salaries and employee benefits – continued build out	1.6
Salaries and employee benefits – performance based incentives, LTI and annual incentive pool	(.7)
FDIC assessment	.3
Other professional – can vary from quarter to quarter	2.0
All other – includes occupancy, technology and marketing, all with some one-time and seasonal expenses	1.7
Q4 2015	\$87.0

Annual Change

Non-interest expense (\$MM)	Increase/ (Decrease)
YTD 2014	\$285.1
Salaries and employee benefits – related to stock price changes	(.8)
Salaries and employee benefits – continued build out	17.4
Salaries and employee benefits – performance based incentives, LTI and annual incentive pool	2.2
FDIC assessment	6.3
All other – includes occupancy, legal and professional, technology and marketing	16.3
YTD 2015	\$326.5

Expense Highlights

- Increase in efficiency ratio driven by the largest quarter for expenses from MCA with revenue not ramped up yet
- Continued focus on managing growth in NIE
 - Linked quarter increase in incentive expense linked to change in stock price \$800,000 benefit for Q3-2015 compared to \$400,000 benefit for Q4-2015
 - Continued build-out including MCA and Private Wealth Management; impact of MCA expenses for Q4-2015 was \$.04 per share

Performance Summary - Quarterly

<i>(in thousands)</i>	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	\$ 142,188	\$ 142,048	\$ 142,285	\$ 130,009	\$ 127,582
Non-interest income	11,320	11,380	12,771	12,267	11,226
Net revenue	153,508	153,428	155,056	142,276	138,808
Provision for credit losses	14,000	13,750	14,500	11,000	6,500
Non-interest expense	87,042	81,688	81,276	76,517	74,117
Income before income taxes	52,466	57,990	59,280	54,759	58,191
Income tax expense	17,713	20,876	21,343	19,709	20,357
Net income	34,753	37,114	37,937	35,050	37,834
Preferred stock dividends	2,437	2,438	2,437	2,438	2,437
Net income available to common shareholders	\$ 32,316	\$ 34,676	\$ 35,500	\$ 32,612	\$ 35,397
Diluted EPS	\$.70	\$.75	\$.76	\$.70	\$.78
Net interest margin	3.01%	3.12%	3.22%	3.22%	3.56%
Net interest margin excl. liquidity assets	3.63%	3.66%	3.66%	3.68%	3.78%
ROA	.72%	.79%	.83%	.84%	1.03%
ROA excl. liquidity assets	.84%	.91%	.93%	.95%	1.08%
ROE	8.82%	9.69%	10.32%	9.82%	11.41%
Efficiency	56.7%	53.2%	52.4%	53.8%	53.4%

Performance Summary - Annual

<i>(in thousands)</i>	2015	2014	2013	2012	2011
Net interest income	\$ 556,530	\$ 476,965	\$ 419,513	\$ 376,879	\$ 302,937
Non-interest income	47,738	42,511	44,024	43,040	32,232
Net revenue	604,268	519,476	463,537	419,919	335,169
Provision for credit losses	53,250	22,000	19,000	11,500	28,500
OREO valuation and write-down expense	-	-	920	6,883	6,798
Total provision and OREO valuation	53,250	22,000	19,920	18,383	35,298
Non-interest expense	326,523	285,114	255,809	212,998	181,529
Income before income taxes	224,495	212,362	187,808	188,538	118,342
Income tax expense	79,641	76,010	66,757	67,866	42,366
Net income	144,854	136,352	121,051	120,672	75,976
Preferred stock dividends	9,750	9,750	7,394	-	-
Net income available to common shareholders	\$ 135,104	\$ 126,602	\$ 113,657	\$ 120,672	\$ 75,976
Diluted EPS	\$ 2.91	\$ 2.88	\$ 2.72	\$ 3.01	\$ 1.99
Net interest margin	3.14%	3.78%	4.22%	4.41%	4.68%
Net interest margin excl. liquidity assets	3.66%	3.91%	4.28%	4.44%	4.77%
ROA	.79%	1.05%	1.17%	1.35%	1.12%
ROA excl. liquidity assets	.90%	1.08%	1.18%	1.38%	1.13%
ROE	9.65%	11.31%	12.82%	16.93%	13.39%
Efficiency ⁽¹⁾	54.0%	54.9%	55.2%	49.8%	54.1%

2016 Outlook



Business Driver

Average LHI

Average LHI – Mortgage Finance

Average Deposits

Net Revenue

Net Interest Margin

Net Charge-Offs / Provision Expense

NIE

Efficiency Ratio

2016 Outlook v. 2015 Results

High single to low double-digit percent growth

Flat to low single-digit percent growth

High single to low double-digit percent growth

Mid to high-teens percent growth

3.50% to 3.60%, excluding effect of change in liquidity assets

Less than 0.25%; with continued higher levels of provisioning in mid-\$60 million level

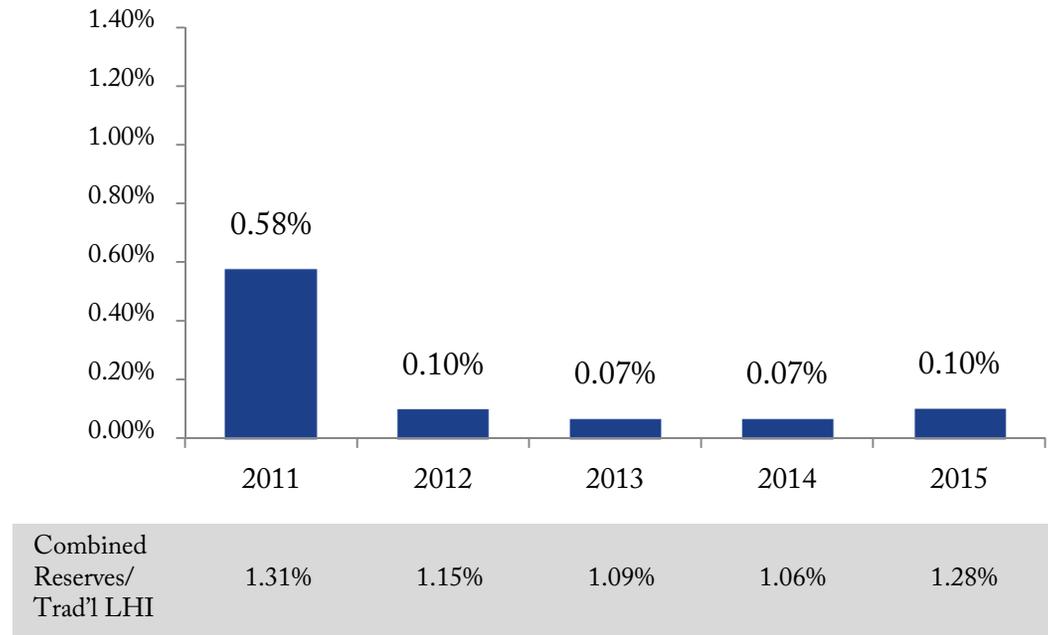
Mid to high-teens percent growth; mid to high single-digit percent growth from Q4-2015 annualized

Mid-50's

Asset Quality

	Q4 2015
Non-accrual loans	
Commercial	\$ 138,658
Construction	16,667
Real estate	19,312
Consumer	–
Equipment leases	5,151
Total non-accrual loans	179,788
Non-accrual loans as % of LHI excluding MF	1.53%
Non-accrual loans as % of total LHI	1.08%
OREO	278
Total Non-accruals + OREO	\$ 180,066
Non-accrual loans + OREO as % of loans excluding MF + OREO	1.53%
Reserve to non-accrual total LHI	.8x

NCO / Average Traditional LHI



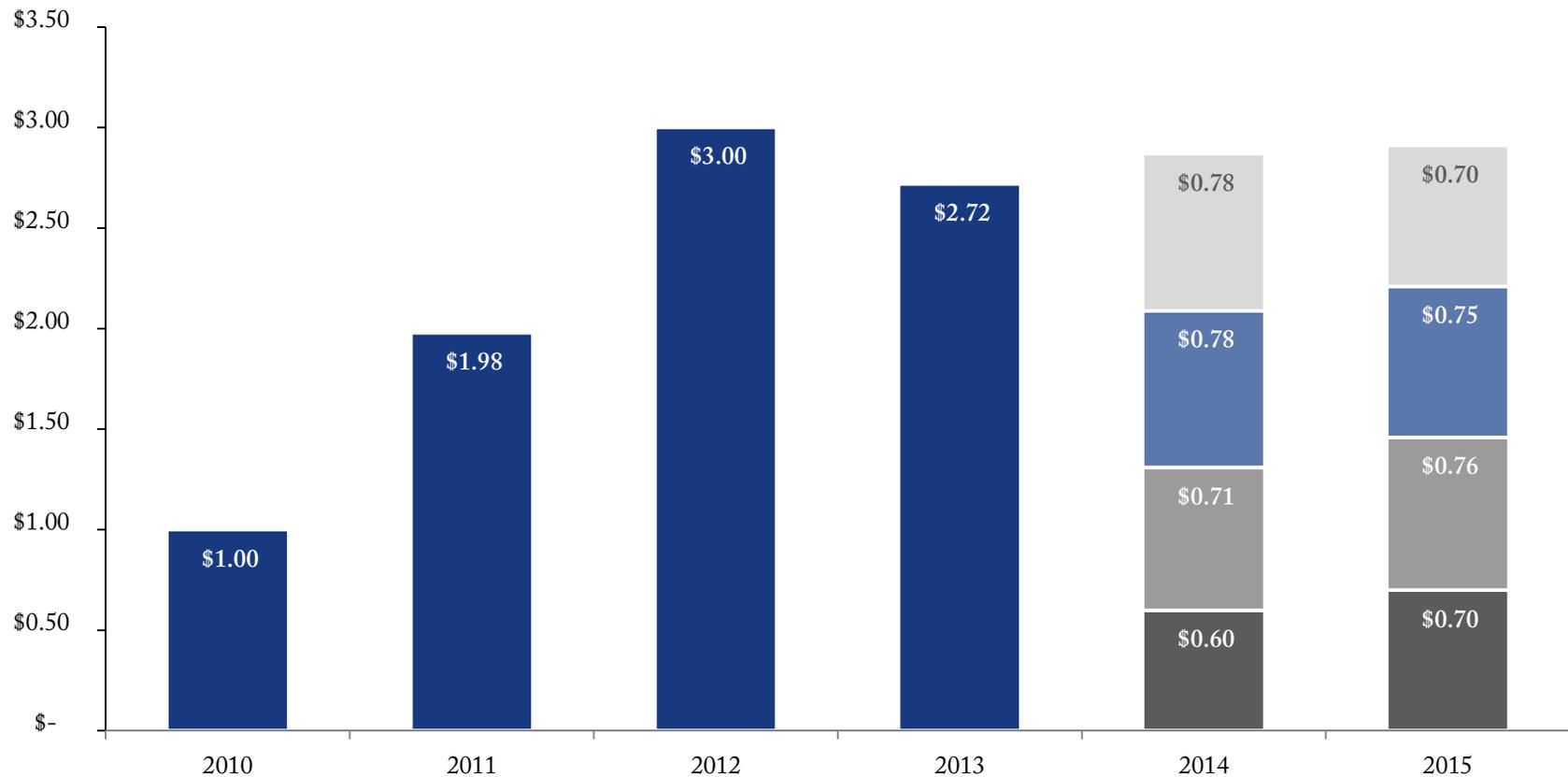
Asset Quality Highlights

- Total credit cost of \$14.0 million for Q4-2015, compared to \$13.8 million in Q3-2015 and \$6.5 million in Q4-2014
- NCOs \$2.0 million, or 7 bps, in Q4-2015 compared to 8 bps in Q3-2015 and 5 bps in Q4-2014
- Increase in non-accruals primarily energy; NPA ratio slightly over 1% and at manageable level
- No net charge-offs related to energy; energy NPAs at \$120.4 million for Q4-2015 compared to \$36.9 million in Q3-2015

EPS Growth

EPS Growth

(5-yr CAGR of 24%)



Stock Offerings			2,300,000 common shares August	\$150 million preferred shares March	1,875,000 January 2,523,128 November common shares
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Note: 2015 includes the full impact of the common stock offering completed in Q4-2014

Closing Comments

- Traditional LHI growth experienced in 2015 was in line with guidance; despite continued discipline related to CRE and energy, still planning for solid growth in 2016
- Aggressively managing energy portfolio; remain confident in underwriting standards, portfolio composition and current reserve level
- Lower mortgage finance average balances in Q4-2015 as expected, which was in line with our guidance; surge in YE balance provides good start for 2016
- Success in building and managing costs of liquidity continues, compressing NIM but with minor benefit to net interest income
- Remain highly asset sensitive; well positioned to take advantage of increases in short-term rates
- MCA positioned to provide meaningful income contribution in 2016, but focused in last half of the year



Q&A

Appendix

Average Balances, Yields & Rates - Quarterly

<i>(in thousands)</i>	Q4 2015		Q3 2015		Q4 2014	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 30,802	3.59%	\$ 33,520	3.60%	\$ 42,515	3.80%
Liquidity assets	3,457,063	.27%	2,845,855	.25%	882,001	.25%
Loans held for sale	24,658	3.81%	570	4.18%	–	–
Loans held for investment, mortgage finance	3,669,022	3.01%	3,981,731	3.03%	3,471,737	3.06%
Loans held for investment	11,693,464	4.21%	11,302,248	4.26%	9,921,611	4.40%
Total loans, net of reserve	15,231,664	3.96%	15,165,436	3.97%	13,297,209	4.08%
Total earning assets	18,744,187	3.28%	18,045,381	3.38%	14,221,725	3.85%
Total assets	\$19,249,277		\$18,532,227		\$14,631,360	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 9,006,352	.31%	\$ 8,329,583	.30%	\$ 7,405,436	.28%
Other borrowings	1,327,087	.21%	1,459,864	.20%	251,737	.19%
Total long-term debt	399,406	4.82%	399,406	4.80%	399,406	4.84%
Total interest bearing liabilities	10,732,845	.47%	10,188,853	.46%	8,056,579	.50%
Demand deposits	6,755,615		6,621,159		5,047,876	
Stockholders' equity	1,603,392		1,570,061		1,380,646	
Total liabilities and stockholders' equity	\$19,249,277	.26%	\$18,532,227	.25%	\$14,631,360	.28%
Net interest margin		3.01%		3.12%		3.56%
Net interest margin excl. liquidity assets		3.63%		3.66%		3.78%
Total deposits and borrowed funds	\$17,089,054	.18%	\$16,410,606	.17%	\$12,705,049	.17%
Loan spread		3.78%		3.80%		3.92%

Average Balances, Yields & Rates - Annual

<i>(in thousands)</i>	2015		2014	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets				
Securities	\$ 35,160	3.65%	\$ 49,200	3.98%
Liquidity assets	2,708,352	.26%	444,673	.25%
Loans held for sale	6,359	3.82%	–	–
Loans held for investment, mortgage finance	3,992,548	3.00%	2,948,938	3.19%
Loans held for investment	11,113,520	4.27%	9,265,725	4.51%
Total loans, net of reserve	14,991,103	3.97%	12,123,300	4.22%
Total earning assets	17,740,974	3.40%	12,617,173	4.08%
Total assets	\$18,227,103		\$13,016,901	
Liabilities and Stockholders' Equity				
Total interest bearing deposits	\$ 8,292,301	.30%	\$ 6,677,371	.27%
Other borrowings	1,382,013	.18%	380,167	.20%
Total long-term debt	399,406	4.84%	385,023	4.85%
Total interest bearing liabilities	10,073,720	.46%	7,442,561	.50%
Demand deposits	6,447,147		4,188,173	
Stockholders' equity	1,550,276		1,269,601	
Total liabilities and stockholders' equity	\$18,227,103	.25%	\$13,016,901	.29%
Net interest margin		3.14%		3.78%
Net interest margin excl. liquidity assets		3.66%		3.91%
Total deposits and borrowed funds	\$16,121,461	.17%	\$11,245,711	.17%
Loan spread		3.80%		4.05%

Average Balance Sheet - Quarterly

<i>(in thousands)</i>	QTD Average			Q4/Q3 % Change	YOY % Change
	Q4 2015	Q3 2015	Q4 2014		
Total assets	\$19,249,277	\$18,532,227	\$14,631,360	4%	32%
Loans held for sale	24,658	570	–	N/M	100%
Loans held for investment	11,693,464	11,302,248	9,921,611	3%	18%
Loans held for investment, mortgage finance	3,669,022	3,981,731	3,471,737	(8)%	6%
Total loans held for investment	15,362,486	15,283,979	13,393,348	1%	15%
Liquidity assets	3,457,063	2,845,855	882,001	21%	292%
Demand deposits	6,755,615	6,621,159	5,047,876	2%	34%
Total deposits	15,761,967	14,950,742	12,453,312	5%	27%
Stockholders' equity	1,603,392	1,570,061	1,380,646	2%	16%

Average Balance Sheet - Annual

<i>(in thousands)</i>	YTD Average		YOY % Change
	2015	2014	
Total assets	\$18,227,103	\$13,016,901	40%
Loans held for sale	6.359	-	100%
Loans held for investment	11,113,520	9,265,725	20%
Loans held for investment, mortgage finance	3,992,548	2,948,938	35%
Total loans held for investment	15,106,068	12,214,663	24%
Liquidity assets	2,708,352	444,673	509%
Demand deposits	6,447,147	4,188,173	54%
Total deposits	14,739,447	10,865,544	36%
Stockholders' equity	1,550,276	1,269,601	22%

Period End Balance Sheet

<i>(in thousands)</i>	Period End			Q4/Q3 % Change	YOY % Change
	Q4 2015	Q3 2015	Q4 2014		
Total assets	\$18,909,139	\$18,665,995	\$15,905,713	1%	19%
Loans held for sale	86,075	1,062	-	N/M	100%
Loans held for investment	11,745,674	11,562,828	10,154,887	2%	16%
Loans held for investment, mortgage finance	4,966,276	4,312,790	4,102,125	15%	21%
Total loans held for investment	16,711,950	15,875,618	14,257,012	5%	17%
Liquidity assets	1,681,374	2,345,192	1,233,990	(28)%	36%
Demand deposits	6,386,911	6,545,273	5,011,619	(2)%	27%
Total deposits	15,084,619	15,165,345	12,673,300	(1)%	19%
Stockholders' equity	1,623,533	1,590,051	1,484,190	2%	9%